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Germany

Agricultural Situation

German Drought Assistance 2003

2003

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Report Highlights:

The German government approved a support program for drought stricken farmers amounting to a total of Euro 72 million. The German farmers association claims that total drought damages amount to more than one billion Euro.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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Euro 72 Million Government Support for Drought Stricken Farms in Germany in 2003

In addition to the EU support schemes, the Federal Ministry of Consumer Affairs and Agriculture provides a separate aid program of Euro 36 million to German farms which severely suffered under this summer's extreme drought. This program will be co-financed by another Euro 36 million coming from German states (Laender) budgets. It is estimated that about 13,000 farms in eight Laenders will be entitled to receive financial support. The EU also offered to hand out regular transfer payments one to two months before the normal payment date of November 15. The most affected areas are farms in Brandenburg (the region surrounding Berlin), Sachsen, Sachsen-Anhalt, and Bayern (Bavaria). With this support program, the German government exclusively targets those farms suffering from financial difficulties. It is meant to be a survival program not a loss compensation program. Actually, the German farmers association claims that total drought damages amount to more than one billion Euro.

The financial aid will be made available mainly in the form of an interest rate reduction for credits to buy feed, fertilizers, seeds and other inputs to bridge the financial constraints until the next harvest in the summer of 2004. The interest rate reduction benefits may not exceed 10 percent of the net profit loss per farm. The support limitation for farms which are in extreme financial difficulties, whose losses exceeded 55 percent of the 3-year average, is set at 13 percent of their net profit losses.

Those farmers without access to new bank credits are entitled to a financial grant to buy farm inputs for the next crop of a maximum volume of 20 percent of the net profit loss, or 30 percent if their farm is in extreme financial difficulties.

The only farms entitled to these aid programs are those which can prove that their financial damages resulting from the drought exceeded more than 20 percent of normal farm profits calculated as an average of the past three years. Natural catastrophe years are excluded from the 3-year average calculation. In addition to the financial loss calculation, the farmer also has to prove that his farm is at risk to survive as a result of the drought. Farms with sufficient equity will not be able to benefit from this program.

Support applications will be administered through the Laender. This program needs to be notified to and approved by the European Commission. Due to the widespread drought and the obvious damages, this is expected to be only a formality. The earliest starting date for this program is expected to be mid October 2003.